

Message Text

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PAGE 01 BANGKO 10489 190632Z

12

ACTION EB-07

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FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 3852

INFO AMEMBASSY COLOMBO

AMEMBASSY KUALA LUMPUR

AMEMBASSY JAKARTA

AMEMBASSY SINGAPORE

AMEMBASSY LONDON

AMCONSULATE SONGKHLA

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E.O. 11652: N/A

TAGS: EIND, EPAP, ETRD

SUBJECT: RUBBER -- ANRPC RUBBER PRICE STABILIZATION SCHEME

REF: A. BANGKOK 1765, B. BANGKOK 5420, C. STATE 078159,

D. STATE 092254

1. WHILE THE MARCH 27 "ECONOMIST" REPORT IS SUBSTANTIALLY ACCURATE IN DESCRIBING THE CURRENT STATE OF ASSOCIATION OF NATURAL RUBBER PRODUCING COUNTRIES (ANRPC) NATURAL RUBBER PRICE STABILIZATION NEGOTIATIONS, WE BELIEVE THERE IS A FAIR LIKELIHOOD THAT NEGOTIATIONS LEADING TO A FORMAL AGREEMENT WILL DRAG ON BEYOND THREE MONTHS.

2. FROM OUR VANTAGE POINT, A MAJOR ROADBLOCK AT THIS POINT APPEARS TO BE FAILURE OF THE THAI GOVERNMENT TO COME UP WITH A FIRM POSITION REGARDING THE PRICE STABILIZATION SCHEME. ACCORDING TO DR. PHIT PANYALAKSHAMA, SENIOR RTG REPRESENTATIVE IN THE PRICE STABILIZATION SCHEME NEGOTIATIONS, IT IS ALSO DOUBTFUL THAT ANY RTG POSITION WILL BE FORTHCOMING FOR AT LEAST "THE NEXT FEW WEEKS". THE RESPONSIBLE RTG OFFICIALS HAVE PREPARED A

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PAGE 02 BANGKO 10489 190632Z

POSITION PAPER ON THE PRICE STABILIZATION SCHEME WHICH THEY

BELIEVE WILL BE ACCEPTABLE TO ALL ANRPC MEMBERS. THIS POSITION REQUIRES PRIOR CABINET APPROVAL, HOWEVER, AND THE SUBJECT HAS APPARENTLY BEEN A LOW PRIORITY WITH THE OUTGOING RTG CABINET. DR. PHIT EXPECTS THIS LOW PRIORITY TO CONTINUE FOR AT LEAST THE FIRST FEW WEEKS AFTER THE NEW SENI CABINET TAKES OVER. DR. PHIT ALSO CITES THE LACK OF RTG PREPAREDNESS AS THE REASON FOR THE POSTPONEMENT OF FEBRUARY AND MARCH ANRPC MEETINGS SCHEDULED FOR KUALA LUMPUR.

3. ACCORDING TO DR. PHIT, THE PROPOSED RTG POSITION CONTINUES TO CALL FOR A FIVE YEAR INITIAL PERIOD FOR THE PRICE STABILIZATION SCHEME AND A BUFFER STOCK OF 100,000 TONS. THE SCHEME WOULD BE OPEN TO REASSESSMENT, HOWEVER, AFTER THE FIRST TWO YEARS, INCLUDING THE SIZE OF THE TOTAL BUFFER STOCK AND INDIVIDUAL MEMBERS' CONTRIBUTIONS. THAILAND'S INITIAL CONTRIBUTION WOULD BE APPROXIMATELY 12 PERCENT. THE PRICE BAND OF 140 TO 160 MALAYSIAN CENTS PER KILO WAS TENTATIVELY AGREED UPON SEVERAL MONTHS AGO BEFORE RECENT INCREASES IN NATURAL RUBBER PRICES. SINCE THERE HAS NOT BEEN AN ANRPC MEETING SINCE THE DECEMBER 1975 SESSION HELD IN BANGKOK, THERE HAS BEEN NO SUBSEQUENT OPPORTUNITY FOR MEMBER COUNTRIES TO RECONSIDER THE PRICE BAND. THE REPORTED RATIONALE FOR THE UPPER LIMIT OF 160 MALAYSIAN CENTS AT THE TIME WAS TO AVOID PRICING NATURAL RUBBER INTO TIGHT COMPETITION WITH SYNTHETIC RUBBER PRICES. WHITEHOUSE

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